

CEO Red Flag Scorecard

TheFinSense

Math beats intuition. Every time.

Score every concentrated position before you click buy.

| Company / Ticker | Filing date | Position size (\$) | Reviewer |
|------------------|-------------|--------------------|----------|
|------------------|-------------|--------------------|----------|

5-DIMENSION SCORECARD Score each dimension 0 / 1 / 2. Cluster of 3+ twos triggers position review.

| # | Dimension | Source filing | Scoring rule | Score |
|--------------|--|---|---|--|
| 1 | Adjusted-metrics dependence | 10-Q non-GAAP reconciliation table; 10-K Item 7. | 0: GAAP & non-GAAP within 5% quarterly. 1: persistent gap 5–15%. 2: addbacks recur quarterly with new categories. | <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="2"/> |
| 2 | Pay alignment | DEF 14A Item 402(v) Pay Versus Performance table. | 0: CAP tracks 5-yr TSR within 25%. 1: pay rises while TSR flat/declining. 2: pay rises while TSR collapses, no clawback. | <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="2"/> |
| 3 | Succession opacity | DEF 14A succession committee charter; Form 8-K Item 5.02. | 0: named successor + bench depth disclosed. 1: committee active, no named successor. 2: CEO >65 with no plan, or sudden leave with no plan. | <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="2"/> |
| 4 | Acquisition discipline | 8-K Item 1.01 deal filings; 5-yr cadence + leverage trajectory. | 0: 0–1 deal/yr, integration complete first. 1: 2 deals/yr, partial integration. 2: 3+ deals/yr, debt-financed, no organic growth narrative. | <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="2"/> |
| 5 | Narrative control <small>(cross-cutting)</small> | Last 4 earnings-call transcripts + sell-side note language compare. | 0: CEO addresses misses directly, quarter-by-quarter detail. 1: optimistic framing, no denial. 2: 'platform/transformational' framing overrides each prior signal; sell-side adopts CEO vocabulary verbatim. | <input type="text" value="0"/> <input type="text" value="1"/> <input type="text" value="2"/> |
| TOTAL | | | Sum of all 5 scores. Range 0–10. Map to Decision Band below. | <input type="text"/> |

DECISION BAND Map total score to position-sizing action.

| Total score | Action |
|-------------|---|
| 0–3 | Hold at current size. Re-score on next annual proxy. |
| 4–5 | Position review. Tighten covenants. Cap further DCA additions. |
| 6–7 | Reduce concentration. Trim to portfolio target weight before next earnings call. |
| 8–10 | Exit before chart breaks. Pearson-grade pattern. |
| Any 2 | Single dimension scoring 2 → re-read full proxy before next earnings call. |
| 3+ at 2 | Cluster of 3+ dimensions at 2 → immediate position review. |

30-MINUTE WORKFLOW

1. SEC EDGAR → ticker → DEF 14A (5 min)
2. 10-K Item 11 cross-reference (10 min)
3. 8-K Item 5.02 transitions, last 5 yr (5 min)
4. Item 402(v) Pay Versus Performance (10 min)

Total: 4 of 5 dimensions covered per name.

BENCHMARK EXEMPLARS

Score 0:

Berkshire (Buffett, \$100K base 1980–)
Costco (Sinegal, \$350K base 1999–2012)

Score 10:

Valeant (Pearson, \$32B 2011–2015 → 90%+ collapse 2015–2017)

Reference points to anchor your scoring.